

# **HCCI Exhibit 11**

**UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT  
GULF OF MEXICO OCS REGION**

NTL No. 2018-G03

Effective Date: December 11, 2018

**NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS LEASES  
AND PIPELINE RIGHT-OF-WAY HOLDERS IN THE  
OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION**

**Idle Iron Decommissioning Guidance for Wells and Platforms**

This Notice to Lessees and Operators and Pipeline Right-of-way Holders (NTL) supersedes NTL No. 2010-G05, Decommissioning Guidance for Wells and Platforms, and is being issued to update and streamline guidance on this topic. This NTL provides clarification and guidance to help ensure that idle infrastructure on active leases is decommissioned in a timely manner in accordance with regulation. This NTL reaffirms the decommissioning guidance contained in NTL No. 2010-G05 (issued on September 15, 2010), carries forward the substance of the definitions provided therein, and adds language that describes BSEE's authority to work with operators to accomplish such work (i.e., the Bureau of Safety and Environmental Enforcement (BSEE) possesses discretion in implementing schedules for decommissioning idle iron).

**Background**

Idle infrastructure poses a potential threat to the Outer Continental Shelf (OCS) environment and potential financial liabilities if destroyed or damaged in a future event, such as a hurricane. The cost and time to permanently plug wells and remove storm-damaged infrastructure is significantly higher than decommissioning assets that have not been damaged as of the time of decommissioning. These increased costs have potential ramifications on financial security requirements and may even impact the future viability of your company.

**Regulatory Authority for Decommissioning Idle Wells and Platforms**

Pursuant to 30 CFR 250.1703, you must permanently plug all wells and remove all platforms and other facilities when no longer useful for operations. Further, 30 CFR 250.1711 states that BSEE will order you to permanently plug a well if it poses a hazard to safety or the environment, or is not useful for lease operations and is not capable of oil, gas, or sulphur production in paying quantities.

To clarify the phrases "no longer useful for operations" and "not capable of oil, gas, or sulphur production in paying quantities," "toppled platform," and "downhole zonal isolation," BSEE provides the following guidance:

In determining whether a well is "*capable of production in paying quantities*," BSEE will

include wells that can produce enough oil, gas, or sulphur to yield a positive stream of income after subtracting normal expenses. These expenses may include actual royalty payments based on the well's production and the direct lease operating costs allocated to the well.

BSEE will consider the following timeframes, when determining whether a well or platform is “*no longer useful for operations*”:

- (1) For a ***well***,
  - (a) the well has not been used in the past 5 years (i) for operations associated with the exploration for or the development and production of oil, gas, sulphur, or other mineral resource or (ii) as infrastructure to support such operations; and
  - (b) you have no plans to use the well (i) for operations associated with the exploration for or the development and production of oil, gas, sulphur, or other mineral resource, or (ii) as infrastructure to support such operations.
- (2) For a ***platform***, the platform has
  - (a) been toppled or otherwise destroyed; or
  - (b) not been used in the past 5 years (i) for operations associated with the exploration for or the development and production of oil, gas, sulphur, or other mineral resource, (ii) as infrastructure to support such operations, or (iii) for other energy- or marine - related purposes as authorized by BSEE or the Bureau of Ocean Energy Management.

BSEE will consider “*toppled platforms*” to include platforms or other structures that have collapsed or fallen or been displaced by a storm or other external forces and, as a result of such an event, are partially or completely destroyed.

BSEE views “*downhole zonal isolation*” to mean isolating all hydrocarbon and sulphur zones by adhering to the plugging and testing requirements of 30 CFR 250.1712 (approval); 30 CFR 250.1713 (notification); 30 CFR 250.1714 (plugs); 30 CFR 250.1715(a)(1), (a)(2), or (a)(3) (plugging); and 30 CFR 250.1715(b)(1) or (b)(2) (plug test). Downhole zonal isolation includes meeting the casing pressure management requirements of API RP 90 (as incorporated by reference in 30 CFR 20.198) and 30 CFR 250.519 – 250.530.

## Guidance

Because the regulations do not expressly prescribe the time frame for decommissioning idle wells and platforms when no longer useful for operations, the following guidance is provided:

### 1. Decommissioning Idle Wells on Active Leases

A. Pursuant to 30 CFR 250.1703 and 250.1711(b), if any well is no longer useful for operations (as defined above) ***and*** is no longer capable of producing oil, gas, or sulphur in paying quantities, you must perform one of the following and should do so as soon as possible, but no later than 3 years after the well is no longer useful for operations:

- i. Permanently plug and abandon the well in accordance with 30 CFR 250.1712 through 250.1716; or
- ii. Plug the well in accordance with 30 CFR 250.1712 through 250.1715 (i.e., only wellhead and casing removal requirement remains); or
- iii. Provide the well with downhole zonal isolation (see definition above). Within 2 years after you provide a well with downhole zonal isolation, BSEE expects

you to comply with either (i) or (ii) above.

B. In performing the work set forth in paragraph A above, we recommend that you prioritize the well work based on risk conditions, such as:

- i. Wells on structures with the highest risk of toppling (e.g., those structures that have not passed required assessments or are structurally damaged (including leaners)).
- ii. Wells that were producing oil.
- iii. Wells that are capable of natural flow. In order for a well to be deemed incapable of natural flow, the appropriate BSEE Gulf of Mexico (GOM) Region District Manager must approve your application for such a determination as required by 30 CFR 250.810 or 250.825 for dry and subsea trees, respectively.
- iv. Wells that have casing pressure.
- v. Wells that are located close to the shoreline, environmentally sensitive areas, or other infrastructure.

C. Future Use Determination: For any well that meets element (1)(a) of the definition of “no longer useful for operations,” but which you believe to be useful for operations or capable of production in paying quantities, you should provide supporting documentation to the BSEE GOM Regional Supervisor, Regional Field Operations, for review and concurrence. Note that if BSEE determines such well is useful for lease operations or is capable of producing oil, gas, or sulphur in paying quantities, you may still be required to perform a downhole zonal isolation in order to ensure compliance with 30 CFR 250.106(c), depending on the length of time needed before you can return to the well to resume useful operations. If BSEE requires downhole zonal isolation, BSEE will require you to specify a timeframe for completion of such work at the time of the aforementioned BSEE determination. Note that No. 1.A.iii above will not be applicable whether the zonal isolation is completed as required by BSEE or voluntarily by the operator and that BSEE may continue to monitor the well until operations are resumed.

The supporting documentation should include, but may not be limited to, the following:

1. Detailed discussion of your plans for the well.
2. Log section identifying the zone(s) to be produced.
3. Recoverable reserve estimate.
4. Reservoir parameters (e.g., porosity, acre-feet, water saturation, formation volume factor, etc.) including recovery factor.
5. List of all wells penetrating the reservoir.
6. Structure map showing penetration points and depths for each well penetrating the reservoir, fluid contacts, and reservoir boundaries.
7. Isopach map showing the net feet of pay for each well, identified at the penetration point.
8. Any well test information acquired.
9. Detailed economic analysis.
10. A schedule of the well work.

11. An estimated date of resuming production.

## 2. Decommissioning Idle Platforms or Other Facilities on Active Leases

- A. Pursuant to 30 CFR 250.1703(c), you must remove a platform (including a toppled platform) or other facility when it is no longer useful for operations. Because the regulations do not expressly prescribe the time frame for completing these operations, BSEE clarifies that you are required to do so as soon as possible, but no later than 5 years after the platform is no longer useful for operations.
- B. Future Use Determination: For any platform or other facility that has not been used in the past 5 years and which you believe to be useful for future operations, you should submit to the BSEE GOM Regional Supervisor, Regional Field Operations, supporting documentation demonstrating the usefulness for review and concurrence. The supporting documentation should include but may not be limited to the following:
  - i. Detailed discussion of the facility's future utility.
  - ii. Detailed schedule for operations to resume on the facility.

## 3. Idle Iron Reporting

Although you are expected to monitor your idle wells and platforms and to undertake decommissioning on your own initiative, in accordance with the regulations, as clarified by this NTL, BSEE plans to continue to provide you with a list of idle wells and platforms annually to help expedite the process. Companies may conduct idle iron abandonment operations consistent with the regulations and timelines provided in this NTL while taking into consideration their individual workload or risk matrix. However, BSEE retains the discretion to be flexible on the timelines listed above when justified on a case-by-case basis to the satisfaction of the Regional Supervisor. In making such a decision to extend such timelines, BSEE will consider all wells, platforms, and other facilities that are no longer useful for operations and not capable of production in paying quantities, as well as your decommissioning schedule (anticipated permit submittal, work start, and work complete date) for each well and platform. Failure to comply with the timelines outlined in this NTL without a BSEE extension of time may result in the issuance of decommissioning orders from BSEE.

### **Other Decommissioning-Related Issues:**

BSEE reminds you of your regulatory obligation to decommission infrastructure on terminated/expired/relinquished leases and rights-of-way within 1 year after the lease or right-of-way expiration/termination/relinquished date in accordance with 30 CFR 250.1710, 30 CFR 250.1725(a), 30 CFR 250.1010(h), and the lease or right-of-way instrument. Failure to do so within this 1-year period, absent BSEE's approval, will typically result in the issuance of an Incident of Noncompliance. Further, BSEE expects that operators will ordinarily prioritize decommissioning of expired or terminated lease structures, wells, and pipelines over Idle Iron infrastructure, absent countervailing safety or environmental considerations. In addition:

- Pursuant to 30 CFR 250.1711(a), the BSEE GOM Region will order you to permanently plug any well that poses a hazard to safety or the environment.
- You must submit decommissioning applications, receive approval of those applications, and submit subsequent reports according to the requirements and deadlines in 30 CFR 250.1704 (and regulations referenced therein) to the appropriate BSEE District and/or Regional Offices.
- Pursuant to 30 CFR 250.1704(i), you must submit a certified summary of expenditures for permanently plugging any well, removal of any platform or other facility, clearance of any site after wells have been plugged or platforms or facilities removed, and decommissioning of pipelines.

### **Guidance Document Statement**

BSEE issues NTLs as guidance documents in accordance with 30 CFR 250.103 to clarify or provide more detail about certain BSEE regulatory requirements and to outline the information you provide in your various submittals. Under that authority, this NTL sets forth guidance and clarification regarding certain regulatory requirements and provides a clear and consistent approach to complying with those requirements.

### **Paperwork Reduction Act of 1995 Statement**

The information referred to in this NTL is intended to provide clarification or guidance regarding compliance with requirements contained in 30 CFR Part 250, Subparts A, H, J, and Q, and with Applications for Permit to Modify (APMs). The Office of Management and Budget (OMB) has approved the information collection requirements in these regulations under OMB Control Numbers 1014-0022, 1014-0003, 1014-0016, 1014-0010, and 1014-0026, respectively. This NTL does not impose any additional information collection requirements subject to the Paperwork Reduction Act of 1995.

### **Contacts**

Please address any questions on the content of this NTL to BSEE GOM Regional Field Operations, Decommissioning Support Section by e-mail at [BSEERIdleIron@bsee.gov](mailto:BSEERIdleIron@bsee.gov).

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